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Food Business Line

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Report Highlights: From America's largest overseas food and agricultural export market as translated from Japan's mass media and food industry news. This issue includes: The trend of consolidation continues in Japan with convenience store chains sharing both purchasing and shipping arrangements; The number of drugstores and their food sales are increasing in Japan; *Dean & DeLuca Japan* will feature 500 varieties of processed foods in its first Japan outlet; Japan's honey imports are increasing, fueled by the health-conscious trend and; A new strain of genetically modified rice is being developed in Japan to target consumers with diabetes.

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Food Business Line

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Retail/Wholesale

- *Three F Co.*, a mid-sized operator of a convenience store chain and the *Family Mart* convenience store chain plan to make joint use of a shipping company affiliated with *Itochu Corporation*, in an aim to cut costs. This will also enable both sides to allocate resources more efficiently in times of surplus or shortage. Joint purchasing arrangements are common in the convenience store sector but joint shipping agreements are still considered rare. (a 5/7)
- Both the number of drugstores and annual product sales are rapidly growing. Drugstores are now 18% of the total for general food wholesalers while it was 10% few years ago. The number of drugstores increased by 34.4% in 2002 compared to 1999. The average percentage of food sales per drugstore was 16.2% in 2002. (f 5/19)

Food Service

- *Dean & DeLuca Japan* plans to open its first shop on June 4 in one of the Tokyo's newest upscale, multi-purpose developments. The products will mainly be imports of about 500 varieties of processed foods such as bottled and canned products. Also, customers will be able to see about 100 types of *sozai* side dishes (or deli foods) being prepared and displayed at the open kitchen area in the store. (b 5/27)
- *Starbucks Coffee* plans to introduce ovens to provide reheating services in all of its stores by this fall for customers who buy sandwiches and breads. In addition to this new service, *Starbucks Coffee* aims to improve the food service aspect of its business and strengthen its food strategy, which is regarded as the weak point of its overall business in Japan. (b 5/27)
- French-Vietnamese, Italian-Thai and Bali-Paris – examples of fusion cuisine establishments that are attracting many customers with the added essence of a “travel” image in their restaurant's atmosphere. For example, a French-Vietnamese restaurant in central Tokyo has a service counter that reminds one of a concierge desk from a high-class resort hotel. In another example, an Italian-Thai restaurant introduced large dining tables and chairs to produce the image of how the restaurant would look overseas. (b 5/27)

Food Processing/New Products/Market Trends

- According to the annual White Paper on Food, Agriculture and Rural Areas in Japan, compiled by Japan's Ministry of Agriculture and Fisheries, consumers' overall food expenditure in 2002 increased by 1.1% compared to 2001, which was the first increase in six years. (Shokuryo Jyokai 5/26)
- Honey is gaining popularity supported by Japan's health-conscious trend. In light of surging honey imports, the Industry Fair Trade Council (a voluntary industry body) revised the country of origin labeling requirement on honey to make sure packaging correctly indicates the product's origin. Japan's imports of honey surged from 30,000 MT in 1998 to 45,000 MT in 2002. China is a dominant supplier of honey to Japan. (Asahi 5/31)

- According to the on-line survey of 500 employed males by *GE Consumer Credit*, the average personal monthly allowance has fallen to 42,700 yen. It has not been this low in 20 years. (a 5/31)
- Shipments of *happoshu* low-malt beer by the five major breweries posted a record decline of 30.2% in May compared to the same month last year, due to a tax hike on May 1. Total shipments of beer and low-malt beer declined by 17% in May. Sales spiked in April as many consumers rushed to buy before the tax increase. (a 5/31)

Food Safety/Consumer Awareness

- *Nippon Paper Industries*, *National Institute of Agro biological Sciences*, and *Sanwa Kagaku Kenkyujo* announced that they had developed a strain of genetically modified rice that helps diabetics control their blood sugar levels after eating it. The three companies hope to complete safety tests in two to three years, with an aim to release a product that will cost about as much as normal rice. (a 5/13)

ATO/Cooperator/Competitor Activities/Trade Shows

- *Sunkist Growers* distributed 5,000 U.S. oranges at a fruit juice bar in Shiodome City Center (new commercial building) on “Orange Day”, April 14, aiming to increase consumer awareness of U.S. oranges and their acceptance of “Orange Day”. (f 5/19)

☞ Sources ☞

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|----------------------------------|---|
| (a) The Japan Economic Newspaper | (b) The Nikkei Marketing Journal |
| (c) The Japan Food Journal | (d) The Beverage & Food News Commentary |
| (e) The Japan Food News | (f) The Food Industry News |

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